GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:206
ANSWERED ON:19.02.2003
GUIDELINES FOR DISINVESTMENT .
ABDUL RASHID SHAHEEN;BIR SING MAHATO

Will the Minister of DISINVESTMENT be pleased to state:

(a) the objective of disinvestment, the policy guidelines and terms and conditions governing disinvestment;

(b) the criteria laid down for identification of PSUs for disinvestment;

(c) the number of PSUs divested, so far the proceeds therefrom and the purpose for which it was used;

(d) whether proper assessment of the actual worth of the PSUs and efforts to market and attract good bidders is not made;

(e) if so, whether the government propose to modify the current procedure for disinvestment;

(f) if so, the details the details thereof; and

(g) if not, the reaction of the Government in this regard?

Answer

MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY AND MINISTER OF DISINVESTMENT (SHRI ARU SHOURIE)

(a) The objectives of disinvestment are to unlock the true productive potential of PSUs, improve the efficiency of their operations through induction of private capital and management, enhance the productive use of their assets, create new assets, generate employment, insulate government finances from the commercial and business risk associated with owning a company, introduce a separation between the regulatory functions of government and the production and supply of services and products and to harness additional resources for the government for retiring public debt and other purposes.

The policy on disinvestment has evolved over time. Guidelines have been framed for the procedure to be followed for disinvestment (April 2001), appointment of Advisors (July,2001), eligibility of bidders (July,2001) and valuation for the strategic sale of central public sector undertakings (August 2002) and these guidelines are available on the website of the Ministry. Guidelines for the disinvestment of natural asset companies are being framed. On March 16, 1999 Government classified PSUs into "Strategic" and "Non-Strategic" categories. "Non Strategic" industries can be disinvested upto a level of 26%, or lower, if necessary, on a case-by-case basis. Government also generally favours strategic sale to other options for disinvestment since this method ensures the highest realisable value for shares being disinvested and has shown good results in terms of improving the efficiency of privatized PSUs.

The terms and conditions vary with each case of disinvestment depending on the nature of the transaction, the financial condition of the PSU, market conditions and investor interest. However, in the case of strategic sale, the government transfers management control to the strategic buyer but retains specific residual powers, for a specified period, to safeguard the interest of employees and to ensure the productive use of assets.

(b) All "Non-Strategic" PSUs, except those PSUs like ONGC, IOC, and GAIL where a specific decision has been taken not to disinvest beyond 51% and Oil India Limited, can be disinvested to a level of 26% or lower if necessary. The decision to disinvest is taken on the basis of the recommendations of the Disinvestment Commission and the Ministry of Disinvestment after inter-ministerial consultations.

(c) The details of PSUs disinvested so far and the realization from each transaction are given in the Annexure I and II. The proceeds from disinvestment are deposited in the Consolidated Fund of India. It is not possible to specifically identify where these funds have been used. Government has announced on the floor of the both Houses of Parliament on 9th December, 2002 that in order to provide complete visibility to the Government's continued commitment of utilization of disinvestment proceeds for social and infrastructure sectors, it would set up a Disinvestment Proceeds Fund.This Fund will be used for financing fresh employment opportunities and investment, and for retirement of public debt.

(d) No, Sir.

(e) The procedure for disinvestment has evolved over a period of time and is continuously reviewed, updated and refined on the basis of experience gained. It has also gone through the process of judicial review in the context of several cases relating to disinvestment and in all such cases, the procedure followed has been upheld.

(f)&(g) The procedure for disinvestment has been evolved with the objective of ensuring transparency, participative decision-making, fair play, administrative simplicity and consistency. Modifications are made, if necessary, to achieve these objectives.

Annexure – I to Lok Sabha Unstarred Question No.206 to be answered on 19-2-2003

Details of disinvestment and amount realised through sale of minority shares in the market from 1991-1992 to 1998-1999

(Rs crore)

S. No.	Name of the Company	1991-92	1992-93	1994-95	1995-96	1996-97	1997-98	1998-99
1.	Andrew Yule	-	-	-	-	-	-	
2.	Bharat Earth Movers Ltd	-	-	-	-	48.270		
3.	Bharat Electronic Ltd.	-	-	-	-	47.169		
4.	Bharat Heavy Electricals Ltd.	-	-	8.21	301.336			
5.	Bharat Petroleum Corp. Ltd.	-	-	331.18	-	-		
6.	Bongaigaon Refineries & Petrochem. Ltd.	-	-	45.40	-	-		
7	CMC Ltd.	-	-	-	-	-	-	
8.	Cochin Refineries Ltd.	-	-	-	-	-	-	
9.	Dredging Corp. of India Ltd.	-	-	-	-	-	-	
10.	Fertilisers Chem. (Travancore) Ltd.	-	-	1.30	-	-		
11.	HMT Ltd.	-	-	23.38	-	-		
12.	Hindustan Cables Ltd.	-	-	-	-	-	-	
13.	Hindustan Copper Ltd.	-	-	8.07	-	-		
14.	Hindustan Organic Chemical Ltd.	-	-	-	-	-	-	
15.	Hindustan Petroleum Corp.Ltd.	-	-	331.85	563.111			
16	Hindustan Photofilms Mfg. Co. Ltd.	-	-	-	-	-	-	
17.	Hindustan Zinc Ltd.	-	-	81.55	-	-		
18.	Indian Petrochemicals Corp. Ltd.	-	-	-	-	-	-	
19.	Indian Railway Contt. Company Ltd.	-	-	-	-	-	-	
20.	Indian Telephone Industries Ltd.	-	-	15.63	-	-		
21.	Madras Refineries Ltd. (Chennai Petroleum Corp. Ltd.)	-	-	-	-	-	-	
22.	Mahanagar Telephone Nigam Ltd.	-	-	-	-	1322.168	135.899	902.00
23.	Minerals & Metals Trading Corp. Ltd.	-	-	-	-	-	-	
24.	National Aluminium Company ltd.	-	-	244.20	0.096			
25.	National Fertilisers Ltd.	-	-	0.72	0.283			
26.	National Mineral Development Corp. Ltd.	-	-	17.88	-	-		
27.	Neyveli Lignite Corp.	-	-	70.43	-	-		
28.	Rashtriya Chemicals & Fertilisers Ltd.	-	-	30.36	-	-		
29.	Shipping Corp of India Ltd.	-	-	-	-	28.076		
30.	State Trading Corp.	-	-	2.25	-	-		
31.	Steel Authority of India Ltd.	-	-	700.10	22.661	13.303		
32.	Videsh Sanchar Nigam Ltd.	-	-	-	-	-	379.67	783.68
33.	Container Corp. of India	-	-	-	-	99.714	14.118	221.65
34.	Indian Oil Corp. Ltd.	-	-	-	-	1033.646	1208.96	
35.	Oil and Natural Gas Corp.	-	-	-	-	1051.516	5.156	2484.96
36.	Engineers India Ltd.	-	-	-	-	67.527		
37.	Gas Authority of India Ltd.	-	-	-	-	194.120	671.86	
38.	India Tourism Dev. Corp.	-	-	-	-	51.985		
39.	Kudremukh Iron Ore Comp. Ltd.	-	-	-	-	11.399		
40.	Modern Food Industries ltd.	-	-	-	-			
41.	BALCO (financial restructuring)/ Disinvestment	-	-	-	-	-	-	
	Total	3038.00	1912.51	4843.077	168.476	379.67	902.00	5371.11

As in 1991-92 the shares were sold in bundles the amount realised PSU-wise is not available.
For 1993-94 the data is nil.

Annexure – II to Lok Sabha Unstarred Question No.206 to be answered on 19-2-2003

Details of disinvestment and amount realised through strategic sale and related transactions since 1999-2000 to till date.

Rs. in crore

Sr. No	Name	Realisation
1a.	Modern Food Industries Ltd. (MFIL)	105
1b.	MFIL – Phase II	44
2.	Bharat Aluminium Company Ltd.	826.5
3.	CMC	152
4.	HTL	55
5.	Lagan Jute Machinery Corporation	2.53
	ITDC-19 HOTELS	
6.	Agra Ashok	3.61
7	Bodhgaya Ashok	1.81
8.	Hassan Ashok	2.27
9.	TBABR Mamallapuram	6.13
10.	Madurai Ashok	4.97
11.	Bangalore Ashok#	39.41(up-front fee); (4.11 – MGAP)
12.	Qutab	34.46
13.	Lodhi	71.93
14.	LVPH, Udaipur	6.77
15.	Manali Ashok	3.65
16.	KABR Kovalam	40.39
17.	Aurangabad Ashok	16.50
18.	Airport Kolkata Ashok	19.39
19.	Khajuraho Ashok	2.19
20.	Varanasi Ashok	8.38
21.	Kanishka	92.37
22.	Indraprastha (AYN)	43.39
23.	Chandigarh Hotel project	17.27
24.	Ranjit	29.20
	Sub-total	444.09
	HCI-3 HOTELS	
25.	Centaur Hotel Juhu, Bombay	153
26.	Indo Hokke Hotels Ltd.	6.51
27.	Centaur Hotel Airport, Mumbai	83
	Sub-total	242.51
28.	IBP	1153.68
29.	Videsh Sanchar Nigam Ltd. (VSNL)	3689
30.	State Trading Corporation of India (STC)	40
31.	MMTC Ltd.	60
32.	Paradeep Phosphates Ltd.	151.70
33.	JESSOP	18.18 ##
34 (a)	Hindustan Zinc Ltd. (HZL)	445
34 (b)	Hindustan Zinc Ltd. (HZL) @	6.18
35.	Maruti Udyog Ltd. (MUL)	2424 ##
36.	Indian Petrochemicals Corporation Ltd. (IPCL)	1490.84
	Grand Total	11350.21

\# Including NPV of future earnings on MGAP & lease rentals
expected
including dividend & divi. Tax
minimum amount to be received over 3 tranches; could go up to Rs. 3158 cr.
Companies at Sr. No. 5, 23, 25, 26, 27 & 33 are subsidiaries.
Sale at 33 to be approved by Government/BIFR
The receipt is on account of transfer of cash reserves.
@ Disinvestment in favour of employees.